SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED JUNE 30, 1999 COMMISSION FILE NUMBER 1-5467

VALHI, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE	87-0110150
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

5430 LBJ FREEWAY, SUITE 1700, DALLAS, TEXAS 75240-2697

(Address of principal executive offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (972) 233-1700

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES X NO

NUMBER OF SHARES OF COMMON STOCK OUTSTANDING ON JULY 31, 1999: 114,568,514.

VALHI, INC. AND SUBSIDIARIES

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VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

ASSETS	DECEMBER 31, 1998	JUNE 30, 1999
Current assets:		
Cash and cash equivalents	$ 224,572	$ 168,882
Accounts and other receivables	167,660	214,381
Refundable income taxes	16,443	7,503
Receivable from affiliates	11,890	12,920
Inventories	246,338	232,406
Prepaid expenses	3,723	6,376
Deferred income taxes	4,836	13,283
Total current assets	675,462	655,751
Other assets:		
Marketable securities	265,567	263,863
Investment in and advances to affiliates	370,654	342,566
Loans and notes receivable	82,290	81,662
Mining properties	15,581	13,795
Prepaid pension cost	24,190	24,088
Goodwill	259,336	267,189
Deferred income taxes	-	2,619
Other	21,737	23,359
Total other assets	1,039,355	1,019,141
Property and equipment:		
Land	16,364	19,668
Buildings	150,879	153,568
Equipment	511,042	513,754
Construction in progress	7,918	20,620
	686,203	707,610
Less accumulated depreciation	158,867	166,492
Net property and equipment	527,336	541,118

	$2,242,153	$2,216,010

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(IN THOUSANDS)

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 1998	JUNE 30, 1999
Current liabilities:		
Notes payable	$ 36,391	$ 32,132
Current maturities of long-term debt	65,448	35,741
Accounts payable	67,592	65,171
Accrued liabilities	148,838	149,856
Payable to affiliates	20,137	24,860
Income taxes	12,943	7,360
Deferred income taxes	1,237	1,731
Total current liabilities	352,586	316,851
Noncurrent liabilities:		
Long-term debt	630,554	661,210
Accrued pension costs	44,929	46,362
Accrued OPEB costs	41,981	39,423
Accrued environmental costs	83,922	69,988
Deferred income taxes	353,717	261,996
Other	44,220	43,179
Total noncurrent liabilities	1,199,323	1,122,158
Minority interest	111,722	158,253
Stockholders' equity:		
Common stock	1,255	1,256
Additional paid-in capital	42,789	43,280
Retained earnings	512,468	567,132
Accumulated other comprehensive income		
Marketable securities	122,826	126,053
Currency translation	(22,712)	(37,301)
Pension liabilities	(2,845)	(6,413)
Treasury stock	(75,259)	(75,259)
Total stockholders' equity	578,522	618,748
	$2,242,153	$2,216,010

Commitments and contingencies (Note 1)

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1999	1998	1999
Revenues and other income:				
Net sales	$281,333	$287,536	$548,721	$544,310
Gain on:				
Disposal of business unit	-	-	330,217	-
Reduction in interest in CompX	-	-	67,902	-
Other, net	29,570	20,890	50,198	36,977
	310,903	308,426	997,038	581,287
Costs and expenses:				
Cost of sales	196,131	208,961	383,710	397,476
Selling, general and administrative	74,745	44,663	123,922	89,275
Interest	23,434	17,952	48,884	36,363
	294,310	271,576	556,516	523,114
	16,593	36,850	440,522	58,173
Equity in earnings of:				
Tremont Corporation	-	5,192	-	4,491
Waste Control Specialists	(3,675)	(3,272)	(6,846)	(8,496)
Income before income taxes	12,918	38,770	433,676	54,168
Provision for income taxes (benefit)	2,736	(74,290)	184,377	(69,179)
Minority interest in after-tax earnings	12,225	51,188	46,675	59,112
Income (loss) from continuing operations	(2,043)	61,872	202,624	64,235
Discontinued operations	-	2,000	-	2,000
Extraordinary item	(54)	-	(1,323)	-
Net income (loss)	$ (2,097)	$ 63,872	$201,301	$ 66,235

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1999	1998	1999
Basic earnings per share:				
Continuing operations	$ (.02)	$ .54	$ 1.76	$ .56
Discontinued operations	-	.02	-	.02
Extraordinary item	-	-	(.01)	-
Net income (loss)	$ (.02)	$ .56	$ 1.75	$ .58
Diluted earnings per share:				
Continuing operations	$ (.02)	$ .53	$ 1.75	$ .55
Discontinued operations	-	.02	-	.02
Extraordinary item	-	-	(.01)	-
Net income (loss)	$ (.02)	$ .55	$ 1.74	$ .57
Cash dividends per share	$ .05	$ .05	$ .10	$ .10
Shares used in the calculation of per share amounts:				
Basic earnings per common share	114,951	115,011	115,043	114,997
Dilutive impact of outstanding stock options	-	1,182	967	1,192
Diluted earnings per share	114,951	116,193	116,010	116,189

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SIX MONTHS ENDED JUNE 30, 1998 AND 1999

(IN THOUSANDS)

`	1998	1999

Net income	$201,301	$ 66,235
Other comprehensive income, net of tax:		
Marketable securities adjustment:		
Unrealized gains arising during the period	3,249	3,652
Less reclassification for gains included in net income	(5,137)	(425)
	(1,888)	3,227
Currency translation adjustment	(2,047)	(14,589)
Pension liabilities adjustment	1,013	(3,568)
Total other comprehensive income, net	(2,922)	(14,930)
Comprehensive income	$198,379	$ 51,305

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30, 1999

(IN THOUSANDS)

		ADDITIONAL		ACCUMULATED OTHER COMPREHENSIVE INCOME		
	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	MARKETABLE SECURITIES	CURRENCY TRANSLATION	PENSION LIABILITIES
Balance at December 31, 1998	$1,255	$42,789	$512,468	$122,826	$(22,712)	$(2,845)
Net income	-	-	66,235	-	-	-
Dividends	-	-	(11,571)	-	-	-
Other comprehensive income, net	-	-	-	3,227	(14,589)	(3,568)
Other, net	1	491	-	-	-	-
Balance at June 30, 1999	$1,256	$43,280	$567,132	$126,053	$(37,301)	$(6,413)

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30, 1999

(IN THOUSANDS)

	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
Balance at December 31, 1998	$(75,259)	$578,522
Net income	-	66,235
Dividends	-	(11,571)
Other comprehensive income, net	-	(14,930)
Other, net	-	492
Balance at June 30, 1999	$(75,259)	$618,748

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 1998 AND 1999

(IN THOUSANDS)

	1998	1999
Cash flows from operating activities:		
Net income	$ 201,301	$ 66,235
Depreciation, depletion and amortization	29,027	31,747
Gain on:		
Disposal of business unit	(330,217)	-
Reduction in interest in CompX	(67,902)	-
Noncash interest expense	15,873	4,857
Deferred income taxes	138,212	(77,243)
Minority interest	46,675	59,112
Other, net	(8,790)	(5,158)
Equity in:		
Tremont Corporation	-	(4,491)
Waste Control Specialists	6,846	8,496
Discontinued operations	-	(2,000)
Distributions from:		
Manufacturing joint venture	-	11,150
Tremont Corporation	-	432
	31,025	93,137
Change in assets and liabilities:		
Accounts and other receivables	(46,332)	(45,830)
Inventories	12	8,489
Accounts payable and accrued liabilities	3,521	(16,592)
Accounts with affiliates	(28,577)	(7,852)
Income taxes	16,563	3,813
Other, net	9,531	(9,724)
Net cash provided (used) by operating activities	(14,257)	25,441
Cash flows from investing activities:		
Capital expenditures	(12,130)	(26,364)

Purchases of:		
Business units	(33,234)	(53,084)
Tremont common stock	(172,587)	(1,945)
NL common stock	(7,955)	-
CompX common stock	-	(624)
Marketable securities	(3,766)	-
Investment in Waste Control Specialists	(10,000)	(10,000)
Proceeds from disposal of:		
Business unit	435,080	-
Marketable securities	6,875	6,588
Discontinued operations	-	2,000
Loans to affiliates:		
Loans	(119,250)	(6,000)
Collections	120,250	6,000
Other, net	261	2,131
Net cash provided (used) by investing activities	203,544	(81,298)

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

SIX MONTHS ENDED JUNE 30, 1998 AND 1999

(IN THOUSANDS)

	1998	1999
Cash flows from financing activities:		
Indebtedness:		
Borrowings	$ 30,728	$ 76,271
Principal payments	(234,249)	(72,043)
Deferred financing costs paid	(220)	-
Loans from affiliate:		
Loans	-	29,000
Repayments	-	(22,100)
Valhi dividends paid	(11,565)	(11,571)
Distributions to minority interest	(646)	(1,524)
Proceeds from issuance of CompX common stoc	110,378	-
Common stock reacquired	(3,692)	-
Other, net	1,460	609
Net cash used by financing activities	(107,806)	(1,358)
Cash and cash equivalents - net change from:		
Operating, investing and financing activities	81,481	(57,215)
Currency translation	(1,270)	(3,366)
Business units acquired	-	4,157
Consolidation of Waste Control Specialists	-	734
Business unit sold	(7,630)	-
Cash and equivalents at beginning of period	360,369	224,572
Cash and equivalents at end of period	$ 432,950	$168,882
Supplemental disclosures:		
Cash paid for:		
Interest, net of amounts capitalized	$ 33,469	$ 31,704
Income taxes, net	64,944	4,869

Business units acquired - net assets

consolidated:

Cash and cash equivalents	$ -	$ 4,157
Goodwill and other intangible assets	23,261	15,800
Other non-cash assets	17,782	52,799
Liabilities	(7,809)	(19,672)
Cash paid	$ 33,234	$ 53,084

Waste Control Specialists - net assets consolidated:

Cash and cash equivalents	$ -	$ 734
Property and equipment	-	23,128
Other non-cash assets	-	9,843
Liabilities	-	(22,201)
Net investment at date of consolidation	$ -	$ 11,504

VALHI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION:

The consolidated balance sheet of Valhi, Inc. and Subsidiaries (collectively, the "Company") at December 31, 1998 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at June 30, 1999 and the consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the interim periods ended June 30, 1998 and 1999 have been prepared by the Company, without audit. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the consolidated financial position, results of operations and cash flows have been made. The results of operations for the interim periods are not necessarily indicative of the operating results for a full year or of future operations. Certain information normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. The accompanying consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1998 (the "1998 Annual Report").

Basic earnings per share of common stock is based upon the weighted average number of common shares actually outstanding during each period. Diluted earnings per share of common stock includes the impact of outstanding dilutive stock options.

Commitments and contingencies are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Legal Proceedings" and the 1998 Annual Report.

Discontinued operations in 1999 represents $2 million of additional consideration received by the Company related to the 1997 disposal of the Company's former fast food operations. No income tax provision is required with respect to such additional consideration.

Contran Corporation holds, directly or through subsidiaries, approximately 92% of Valhi's outstanding common stock. Substantially all of Contran's outstanding voting stock is held either by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons, of which Mr. Simmons is sole trustee, or by Mr. Simmons directly. Mr. Simmons, the Chairman of the Board and Chief Executive Officer of Valhi and Contran, may be deemed to control such companies.

The Company will adopt Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, no later than the first quarter of 2001. Under SFAS No. 133, all

derivatives will be recognized as either assets or liabilities and measured at fair value. The accounting for changes in fair value of derivatives will depend upon the intended use of the derivative. The impact on the Company of adopting SFAS No. 133, if any, has not yet been determined but will be dependent upon the extent to which the Company is a party to derivative contracts or hedging activities covered by SFAS No. 133 at the time of adoption.

NOTE 2 - BUSINESS SEGMENT INFORMATION:

OPERATIONS	PRINCIPAL ENTITIES	% OWNED AT JUNE 30, 1999
Chemicals	NL Industries, Inc.	58.2%*
Component products	CompX International Inc.	64.2%
Waste management	Waste Control Specialists	68.8%
Titanium metals	Tremont Corporation	49.8%*

* Tremont owns an additional 19.7% of NL.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1999	1998	1999
	(IN MILLIONS)			
Net sales:				
Chemicals	$241.6	$232.5	$476.9	$434.1
Component products	39.7	55.0	71.8	110.2
	$281.3	$287.5	$548.7	$544.3
Operating income:				
Chemicals	$ 42.0	$ 39.2	$ 79.4	$ 65.2
Component products	9.1	9.7	13.4	19.2
	51.1	48.9	92.8	84.4
Gain on:				
Disposal of business unit	-	-	330.2	-
Reduction in interest in CompX	-	-	67.9	-
General corporate items:				
Interest and dividend income	17.5	10.9	34.7	21.5
Securities transactions	7.8	.6	7.9	.6
Expenses, net	(36.3)	(5.6)	(44.1)	(12.0)
Interest expense	(23.5)	(18.0)	(48.9)	(36.4)
	16.6	36.8	440.5	58.1
Equity in:				
Tremont Corporation	-	5.2	-	4.5
Waste Control Specialists	(3.6)	(3.3)	(6.8)	(8.5)
Income before income taxes	$ 13.0	$ 38.7	$433.7	$ 54.1

In January 1999, CompX acquired Thomas Regout Holding N.V., a producer of precision ball bearing slides, for $53 million cash consideration. During the first quarter of 1999, Valhi purchased 30,000 shares of CompX common stock for an aggregate of $624,000. In June 1999, Valhi purchased 88,400 shares of Tremont common stock for an aggregate of $1.9 million.

In February 1999, Valhi contributed $10 million to Waste Control Specialists' equity, thereby increasing its membership interest from 64.3% to 68.8%. The Company also holds an option, as amended in July 1999, to make an additional $20 million equity contribution to Waste Control Specialists which, if contributed, would increase its membership interest to 90%. Prior to June 30, 1999, the Company did not consolidate Waste Control Specialists. The Company was not deemed to control Waste Control Specialists because the controlling general partner of the other owner of Waste Control Specialists had been granted the duties of chief executive officer of Waste Control Specialists under an employment agreement. As of June 1999, that individual resigned as CEO and a new CEO unrelated to the other owner was appointed. Accordingly, the Company is now deemed to control Waste Control Specialists. The Company commenced consolidating Waste Control Specialists' balance sheet at June 30, 1999, and will commence consolidating its results of operations and cash flows beginning in the third quarter of 1999.

Each of NL (NYSE: NL), CompX (NYSE: CIX), Tremont (NYSE: TRE) and Tremont's 39%-owned affiliate Titanium Metals Corporation ("TIMET," NYSE: TIE) file periodic reports pursuant to the Securities Exchange Act of 1934, as amended.

NOTE 3 - MARKETABLE SECURITIES:

	DECEMBER 31, 1998	JUNE 30, 1999
	(IN THOUSANDS)	
Noncurrent assets (available-for-sale):		
The Amalgamated Sugar Company LLC	$170,000	$170,000
Halliburton Company common stock	79,710	87,901
Other securities	15,857	5,962
	$265,567	$263,863

At June 30, 1999, Valhi held 2.7 million shares of Halliburton common stock (aggregate cost of $22 million) with a quoted market price of $45.25 per share, or an aggregate market value of $122 million. Valhi's LYONs are exchangeable at any time, at the option of the LYON holder, for such Halliburton shares, and the carrying value of the Halliburton stock is limited to the accreted LYONs obligation. See Note 8. See the 1998 Annual Report for a discussion of the Company's investment in The Amalgamated Sugar Company LLC. The aggregate cost of other available-for-sale securities (primarily common stocks) is $8 million at June 30, 1999. In the second quarter of 1999, the Company sold certain available-for-sale marketable securities with a cost basis of $6 million for aggregate proceeds of $6.6 million.

NOTE 4 - INVENTORIES:

	DECEMBER 31, 1998	JUNE 30, 1999
	(IN THOUSANDS)	
Raw materials:		
Chemicals	$ 46,114	$ 44,171
Component products	6,520	8,677
	52,634	52,848
In process products:		
Chemicals	11,530	7,164
Component products	5,748	7,855
	17,278	15,019

Finished products:		
Chemicals	137,000	126,848
Component products	4,634	8,849
	141,634	135,697
Supplies (primarily chemicals)	34,792	28,842
	$246,338	$232,406

NOTE 5 - ACCRUED LIABILITIES:

	DECEMBER 31, 1998	JUNE 30, 1999
	(IN THOUSANDS)	
Current:		
Employee benefits	$ 42,665	$ 36,679
Environmental costs	46,059	53,352
Interest	7,397	7,160
Deferred income	4,353	6,437
Other	48,364	46,228
	$148,838	$149,856
Noncurrent:		
Insurance claims and expenses	$ 15,321	$ 14,712
Employee benefits	12,523	11,748
Deferred income	13,693	11,633
Other	2,683	5,086
	$ 44,220	$ 43,179

NOTE 6 - OTHER NONCURRENT ASSETS:

	DECEMBER 31, 1998	JUNE 30, 1999
	(IN THOUSANDS)	
Investment in affiliates:		
Tremont Corporation	$179,452	$182,514
TiO2 manufacturing joint venture	171,202	160,052
Waste Control Specialists LLC	10,000	-
	360,654	342,566
Loan to Waste Control Specialists LLC	10,000	-

	$370,654	$342,566

Loans and notes receivable:		
Snake River Sugar Company	$ 80,000	$ 80,000
Other	5,912	6,062
	85,912	86,062
Less current portion	3,622	4,400
Noncurrent portion	$ 82,290	$ 81,662
Deferred financing costs	$ 5,674	$ 4,601
Intangible assets	4,923	7,896
Other	11,140	10,862
	$ 21,737	$ 23,359

At June 30, 1999, Valhi held 3.2 million shares of Tremont common stock with a quoted market price of $21.50 per share, or an aggregate of $68 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of the Company's net carrying value of its investment in Tremont. At June 30, 1999, the Company commenced consolidating Waste Control Specialists. See Note 2.

NOTE 7 - ACCOUNTS WITH AFFILIATES:

	DECEMBER 31, 1998	JUNE 30, 1999
	(IN THOUSANDS)	
Receivables from affiliates:		
Income taxes, net	$11,719	$12,846
Other	171	74
	$11,890	$12,920
Payables to affiliates:		
Loan from Contran	$ 9,500	$16,400
Louisiana Pigment Company	8,264	6,966
Tremont Corporation	3,053	1,793
Other, net	(680)	(299)
	$20,137	$24,860

NOTE 8 - NOTES PAYABLE AND LONG-TERM DEBT:

	DECEMBER 31, 1998	JUNE 30, 1999
	(IN THOUSANDS)	
Notes payable -		
Kronos - non-U.S. bank credit agreements (DM 60,500 and DM 60,500)		$ 32,132
	$ 36,391	
Long-term debt:		
Valhi:		
Snake River Sugar Company	$250,000	$250,000
LYONs	84,104	87,901
	334,104	337,901
NL Industries:		
Senior Secured Notes	244,000	244,000
Deutsche mark bank credit facility (DM 187,322 and DM 160,072)	112,674	85,015
Other	955	640
	357,629	329,655
Other subsidiaries:		
CompX bank credit facility	-	20,000
Waste Control Specialists bank term loa	-	4,530
Valcor Senior Notes	2,431	2,431
Other	1,838	2,434
	4,269	29,395
	696,002	696,951
Less current maturities	65,448	35,741
	$630,554	$661,210

Waste Control Specialists' bank term loan is due in installments through December 1999 and is collateralized by substantially all of Waste Control Specialists' assets. Waste Control Specialists intends to seek an extension of the maturity date of such loan.

NOTE 9 - OTHER INCOME:

	SIX MONTHS ENDED JUNE 30,	
	1998	1999
	(IN THOUSANDS)	

Securities earnings:		
Dividends and interest	$ 34,722	$ 21,475
Securities transactions	7,905	654
	42,627	22,129
Noncompete agreement income	1,667	2,000
Currency transactions, net	1,901	7,431
Other, net	4,003	5,417
	$50,198	$ 36,977

NOTE 10 - PROVISION FOR INCOME TAXES:

	SIX MONTHS ENDED JUNE 30,	
	1998	1999
	(IN MILLIONS)	
Income from continuing operations:		
Expected tax expense	$151.8	$ 19.0
Incremental U.S. tax and rate differences on equity in earnings of non-tax group companies	72.4	10.4
Change in NL's deferred income tax valuation allowance	(45.1)	(85.1)
Settlement of German income tax audits	-	(36.6)
Change in German income tax law	-	24.1
U.S. state income taxes, net	7.9	.2
No tax benefit for goodwill amortization	10.7	2.0
Non-U.S. tax rates	(.1)	(.8)
Excess of tax basis over book basis of the common stock of foreign subsidiaries sold	(12.1)	-
Other, net	(1.1)	(2.4)
	$184.4	$(69.2)
Comprehensive provision (benefit) for income taxes allocated to:		
Continuing operations	$184.4	$(69.2)
Discontinued operations	-	-
Extraordinary item	(1.4)	-
Other comprehensive income:		
Marketable securities	(.8)	1.4
Currency translation	(1.2)	(8.8)
Pension liabilities	.6	(2.3)
	$181.6	$(78.9)

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of a $90 million non-cash income tax benefit recognized by NL in the second quarter of 1999.

NOTE 11 - MINORITY INTEREST:

The components of minority interest in net assets and income from continuing operations are presented in the following tables.

	DECEMBER 31, 1998	JUNE 30, 1999
	(IN THOUSANDS)	
Minority interest in net assets:		
NL Industries	$ 64,268	$105,984
CompX	46,817	49,361
Subsidiaries of NL	633	2,839
Subsidiaries of CompX	4	69
	$111,722	$158,253

	SIX MONTHS ENDED JUNE 30,	
	1998	1999
	(IN THOUSANDS)	
Minority interest in net earnings (losses) - income from continuing operations:		
NL Industries	$43,891	$52,632
CompX	2,843	4,296
Subsidiaries of NL	19	2,250
Subsidiaries of CompX	(78)	(66)
	$46,675	$59,112

Waste Control Specialists was formed in 1995 by Valhi and another entity. Waste Control Specialists assumed certain liabilities of the other owner and such liabilities exceeded the carrying value of the assets contributed by the other owner. Consequently, all of Waste Control Specialists' net losses or net income will accrue to the Company for financial reporting purposes until Waste Control Specialists reports positive equity attributable to the other owner. Accordingly, no minority interest in Waste Control Specialists' net assets is reported at June 30, 1999, and no minority interest in Waste Control Specialists' net earnings or losses is expected to be reported at least through the remainder of 1999.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS:

The Company reported income from continuing operations for the first six months of 1999 of $64.2 million, or $.55 per diluted share, compared to income of $202.6 million, or $1.75 per diluted share, in the first six months of 1998. For the second quarter of 1999, Valhi reported income from continuing operations of $61.8 million, or $.53 per diluted share, compared to a loss from continuing

operations of $2.1 million, or $.02 per diluted share, in the second quarter of 1998. Results for the second quarter of 1999 include a $90 million non-cash income tax benefit ($52 million, or $.45 per diluted share, net of minority interest) recognized by NL, as discussed below. The 1998 year-to-date results include gains related to the sale of NL Industries' specialty chemicals business and the initial public offering of CompX International common stock aggregating $196 million, or $1.69 per diluted share, net of income taxes and minority interest. The loss in the second quarter of 1998 includes an aggregate charge of $32 million ($21 million, or $.18 per diluted share, net of income taxes) related to the settlement of two lawsuits.

The statements in this Quarterly Report on Form 10-Q relating to matters that are not historical facts, including, but not limited to, statements found in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," are forward-looking statements that represent management's belief and assumptions based on currently available information. Forward-looking statements can be identified by the use of words such as "believes," "intends," "may," "should," "anticipates," "expected" or comparable terminology, or by discussions of strategies or trends. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it cannot give any assurances that these expectations will prove to be correct. Such statements by their nature involve substantial risks and uncertainties that

could significantly impact expected results, and actual future results could differ materially from those described in such forward-looking statements. Among the factors that could cause actual future results to differ materially are the risks and uncertainties discussed in this Quarterly Report and those described from time to time in the Company's other filings with the Securities and Exchange Commission, including, but not limited to, future supply and demand for the Company's products, the extent of the dependence of certain of the Company's businesses on certain market sectors (such as the dependence of TIMET's titanium metals business on the aerospace industry), the cyclicality of certain of the Company's businesses (such as NL's TiO2 operations and TIMET's titanium metals operations), the impact of certain long-term contracts on certain of the Company's businesses (such as the impact of TIMET's long-term contracts with certain of its customers on its ability to raise selling prices and the impact of TIMET's long-term contracts with certain of its vendors on its ability to reduce or increase supply or achieve lower costs), general global economic conditions, competitive products and substitute products, customer and competitor strategies, the impact of pricing and production decisions, potential difficulties in integrating completed acquisitions, the possibility of labor disruptions, environmental matters, government regulations and possible changes therein, the ultimate resolution of pending litigation, possible future litigation and possible disruptions of normal business activity from Year 2000 issues. Should one or more of these risks materialize (or the consequences of such a development worsen), or should the underlying assumptions prove incorrect, actual results could differ materially from those forecasted or expected. The Company disclaims any intention or obligation to update or revise any forward-looking statement whether as a result of new information, future events or otherwise.

CHEMICALS

NL's titanium dioxide pigments ("TiO2") operations are conducted through its wholly-owned subsidiary Kronos, Inc. NL sold its specialty chemicals

business unit, conducted by its wholly-owned subsidiary Rheox, Inc., in January 1998.

	THREE MONTHS ENDED JUNE 30,		%	SIX MONTHS ENDED JUNE 30,		%
	1998	1999	CHANGE	1998	1999	CHANGE
	(IN MILLIONS)			(IN MILLIONS)		
Net sales:						
Kronos	$241.6	$232.5	-4%	$464.2	$434.1	-6%
Rheox	-	-		12.7	-	
	$241.6	232.5	-4%	$476.9	$434.1	-9%

Operating income:

Kronos	$ 42.0	$ 39.2	-6%	$ 76.7	$ 65.2	-15%
Rheox	-	-		2.7	-	
	$ 42.0	$ 39.2	-6%	$ 79.4	$ 65.2	-18%

Kronos' TiO2 sales and operating income decreased in 1999 compared to 1998 due primarily to lower sales and production volumes for TiO2, partially offset by a $5.3 million foreign currency transaction gain in the second quarter of 1999 related to certain of NL's short-term intercompany cross-border financings. These NL intercompany financings were settled in July 1999.

NL's TiO2 sales volumes in the second quarter of 1999 decreased 1% from the record sales volumes in the second quarter of 1998, but increased 24% from the first quarter of 1999 sales volumes. TiO2 sales volumes in the first six months of 1999 were 8% lower than the same period in 1998. NL's production rates continue to closely match its sales volumes, and NL's average capacity utilization rate was 98% in the second quarter of 1999 and was 91% for the first six months of the year.

NL's average TiO2 selling prices during the second quarter of 1999 approximated the second quarter of 1998, but were 2% lower than the first quarter of this year reflecting weaker prices in European and export markets and, to a lesser degree, in North American markets. NL's average TiO2 selling prices at the end of the second quarter of 1999 were 1% lower than the average for the quarter. NL's average TiO2 selling prices in the first six months of 1999 were 3% higher than the first six months of 1998 due primarily to higher North American prices.

NL believes its TiO2 selling prices in the second half of 1999 will be below those of the first half of the year. However, NL does not expect the downward pressures on Ti02 selling prices will be long-term in nature as a result of the continuing recovery in Asia and NL's positive view of the worldwide economy. In this regard, NL recently announced a 7.5% price increase in Europe that NL expects will improve its pricing trends in late 1999. NL currently expects its TiO2 sales volumes in calendar 1999 will approximate its

calendar 1998 sales volumes. Overall, NL expects its calendar 1999 TiO2 operating income will be lower than 1998 due to lower Ti02 production volumes and lower Ti02 average selling prices.

A significant amount of NL's sales generated from its non-U.S. operations are denominated in currencies other than the U.S. dollar, primarily major European currencies and the Canadian dollar. Consequently, the translated U.S. dollar value of NL's foreign sales and operating results are subject to currency exchange rate fluctuations which may favorably or adversely impact reported earnings and affect the comparability of period to period operating results. In addition, a portion of NL's sales generated from its non-U.S. operations are denominated in the U.S. dollar, and exchange rate fluctuations do not impact the reported amount of such net sales. Certain raw materials, primarily titanium-containing feedstocks, are purchased in U.S. dollars, while labor and other production costs are denominated primarily in the local currencies. Fluctuations in the value of the U.S. dollar relative to other currencies increased NL's sales in the first six months of 1999 by $1 million compared to the first six months of 1998. Fluctuations in the value of the U.S. dollar relative to other currencies similarly impacted NL's foreign currency-denominated operating expenses, and the net impact of currency exchange rate fluctuations on NL's operating income comparisons, other than the $5.3 million foreign currency transaction gain discussed above, was not significant.

The Company's purchase accounting adjustments made in conjunction with the acquisitions of its interest in NL result in additional depreciation, depletion and amortization expense beyond those amounts separately-reported by NL. Such

additional non-cash expense currently reduces chemicals operating income, as reported by Valhi, by approximately $19 million per year.

COMPONENT PRODUCTS

	THREE MONTHS ENDED JUNE 30,		%	SIX MONTHS ENDED JUNE 30,		%
	1998	1999	CHANGE	1998	1999	CHANGE
	(IN MILLIONS)			(IN MILLIONS)		
Net sales	$39.7	$55.0	+39%	$71.8	$110.2	+53%
Operating income	9.1	9.7	+5%	13.4	19.2	+43%

Component products sales increased in 1999 compared to the same periods in 1998 due primarily to sales generated by the Thomas Regout slide operations acquired in January 1999 and sales generated by two lock producers acquired in March and November 1998. Component products operating income in the first six months of 1998 included a $3.3 million first quarter non-recurring pre-tax charge related to certain stock awarded in conjunction with CompX's March 1998 initial public offering. Excluding the effect of these acquisitions, component products net sales increased 1% in the first six months of 1999 compared to the first six months of 1998 as a 10% increase in sales of security products was offset by a 3% decline in sales of slide and ergonomic products reflecting weak demand in the office furniture industry. Excluding the effect of these acquisitions and the stock award charge discussed above, component products operating income decreased 4% in the first six months of 1999 compared to the same period in 1998 as a result of the decline in slide and ergonomic product sales.

EQUITY AFFILIATES

Tremont Corporation. As previously reported, Valhi commenced reporting equity in Tremont's earnings in the third quarter of 1998. The Company's equity in Tremont's earnings differs from the amount that would be expected by applying the Company's ownership percentage to Tremont's separately-reported earnings because of the effect of amortization of purchase accounting adjustments made in conjunction with the Company's acquisitions of its interest in Tremont. Such non-cash amortization currently reduces earnings (or increases losses) attributable to Tremont as reported by the Company by approximately $3 million per year.

Tremont accounts for its interests in both NL and TIMET by the equity method. In the first six months of 1999, Tremont reported net income of $12.8

million comprised primarily of equity in net losses of TIMET ($1.9 million), equity in earnings of NL ($23.2 million) and a provision for income taxes of $7.2 million. Tremont's equity in earnings of TIMET and NL differs from the amounts that would be expected by applying Tremont's ownership percentage to TIMET's and NL's separately-reported earnings because of the effect of amortization of purchase accounting adjustments made by Tremont in conjunction with Tremont's acquisitions of its interests in TIMET and NL. Amortization of such basis differences generally increases earnings (or reduces losses) attributable to TIMET as reported by Tremont, and generally reduces earnings (or increases losses) attributable to NL as reported by Tremont.

NL's operating results are discussed above. Tremont's equity in earnings of NL in the first six months of 1999 includes Tremont's pro-rata share ($17.7 million) of NL's non-cash income tax benefit discussed below.

For the first six months of 1999, TIMET reported sales of $261.7 million, an operating loss of $.4 million and a net loss of $6.4 million compared to sales, operating income and net income of $377.9 million, $55.5 million and $32.1 million, respectively, in the first six months of 1998. TIMET's results in 1999 were below those of 1998 principally due to a 26% decline in TIMET's year-to-date mill products sales volumes caused by the previously-reported lower

demand in both its aerospace and industrial markets. Sales of $127.6 million in the second quarter of 1999 were 5% lower than the first quarter of this year due principally to lower volumes. However, TIMET's average mill product selling prices in the second quarter of 1999 increased compared to the first quarter of 1999 due largely to changes in product mix, as over 60% of the decline in mill product sales volumes from the first quarter to the second quarter occurred in TIMET's lowest-priced industrial market product line. TIMET's previously-reported cost reduction efforts and the change in product mix both contributed to an improvement in TIMET's margins in the second quarter of 1999 compared to the first quarter of this year. TIMET is focusing on improving its margins through cost reductions, including shifting production to its more cost-effective equipment acquired or refurbished as part of its recently-completed capital expenditure program, and through increased utilization of its business-enterprise SAP system to help improve business processes. TIMET reported a modest operating profit in the second quarter, and TIMET's net loss of $2.5 million in the second quarter of 1999 was lower than the $3.9 million net loss reported in the first quarter of this year.

TIMET believes that demand for titanium aerospace products continues to be impacted by customer inventory levels as well as forecasted commercial aircraft build rates. The time required for TIMET's customers to consume excess inventories has been longer than TIMET previously anticipated. TIMET also intends to increasingly compete on price, particularly in industrial markets. TIMET currently expects its sales volumes during the last half of 1999 will be higher than in the first half of the year, and expects its overall average mill product selling prices will be lower, in part due to product mix changes. Assuming demand remains at currently expected levels during the remainder of 1999, TIMET currently expects to return to modest profitability in the second half of 1999.

Valhi periodically evaluates the net carrying value of its long-term assets, including its investment in Tremont, to determine if there has been any decline in value below their carrying amounts that is other than temporary and would, therefore, require a write-down which would be accounted for as a realized loss. At June 30, 1999, the NYSE price of $21.50 per Tremont share indicated an aggregate NYSE market value of Valhi's investment in Tremont common stock of approximately $68.3 million, or $114.2 million less than Valhi's $182.5 million net carrying value of its investment in Tremont at that date. Such excess of net carrying value over aggregate market value at June 30, 1999 is slightly lower than the excess amount at March 31, 1999. The Company believes NYSE stock prices (particularly in the case of companies such as Tremont that have a major shareholder and are not widely followed or traded) are not necessarily indicative of a company's enterprise value or the value that could be realized if the company were sold. After considering what it believes to be all relevant factors including, among other things, the NYSE market prices of Tremont's holdings of NL and TIMET, the relatively short time period during which Tremont's NYSE price has been less than the Company's per share net investment in Tremont, recent trends in Tremont's market price, Tremont's (and hence NL's and TIMET's) operating results, financial position, estimated asset values and prospects, the Company concluded that there had been no other than temporary decline in value of the Company's investment in Tremont below its net carrying value at June 30, 1999.

As discussed above, Tremont's major assets are its investments in NL (TiO_2) and TIMET (titanium metals). It is possible, should the TiO_2 or titanium metals industries in general, or NL or TIMET specifically, encounter a prolonged recessionary environment, or suffer other unforeseen adverse events, that the value of Valhi's investment in Tremont could decline to a level which would result in a write-down of the Company's investment in Tremont. Valhi will continue to monitor and evaluate the value of its investment in Tremont based on, among other things, the results of operations, financial condition, liquidity and business outlook for Tremont, TIMET and NL. In the event Valhi determines that any decline in value of its investment in Tremont below its net carrying values has occurred which is other than temporary, Valhi would report an appropriate write-down at that time.

Waste Control Specialists. Waste Control Specialists reported a loss of $8.5 million during the first six months of 1999 compared to a loss of $6.8 million during the first six months of 1998. Waste Control Specialists reported sales of $8.3 million in the first six months of 1999 compared to $3.4 million in the first six months of 1998. Waste Control Specialists' operating loss increased in 1999 due in part to higher expenditures in connection with the pursuit of permits covering the disposal of low-level and mixed radioactive

waste as well as higher legal expenses. As discussed in Note 2 to the Consolidated Financial Statements, the Company will commence consolidating Waste

Control Specialists' results of operations and cash flows beginning in the third quarter of 1999.

Waste Control Specialists currently has permits which allow it to treat, store and dispose of a broad range of hazardous and toxic wastes, and to treat and store a broad range of low-level and mixed radioactive wastes. As previously-reported, the hazardous waste industry (other than low-level and mixed radioactive waste) currently has excess industry capacity caused by a number of factors, including a relative decline in the number of environmental remediation projects generating hazardous wastes and efforts on the part of generators to reduce the volume of waste and/or manage wastes onsite at their facilities. These factors have led to reduced demand and increased price pressure for non-radioactive hazardous waste management services. While Waste Control Specialists believes its broad range of permits for the treatment and storage of low-level and mixed radioactive waste streams provide certain competitive advantages, a key element of Waste Control Specialists' strategy to provide "one-stop shopping" for hazardous, low-level radioactive and mixed wastes includes obtaining permits for the disposal of low-level and mixed radioactive wastes.

The current state law in Texas (where Waste Control Specialists' disposal facility is located) prohibits the applicable Texas regulatory agency from issuing a permit for the disposal of low-level radioactive waste to a private enterprise. During the recent Texas legislative session which ended in May 1999, Waste Control Specialists was supporting a proposed change in state law which would allow the regulatory agency to issue a disposal permit to a private entity. While the legislative session ended without any change in state law, Waste Control Specialists has been pursuing other alternatives with respect to the disposal of low-activity radioactive and mixed wastes, including obtaining certain modifications to its existing permits that would allow Waste Control Specialists to dispose of certain types of low-activity radioactive and mixed wastes. Waste Control Specialists has recently obtained additional authority

that allows Waste Control Specialists to dispose of certain categories of low-activity radioactive materials, including naturally occurring radioactive material ("NORM") and exempt level materials (radioactive materials that do not exceed certain specified radioactive concentrations and are exempt from licensing). Although there are other categories of low-level and mixed radioactive wastes that continue to be ineligible for disposal under the increased authority, Waste Control Specialists will continue to pursue permit modifications to further expand its treatment and disposal capabilities for low-level and mixed radioactive wastes. Expenditures associated with any additional permit modifications concerning the disposal of low-level and mixed radioactive wastes are expected to be significantly lower than those incurred during the first six months of this year in connection with the Texas legislative session. There can be no assurance that Waste Control Specialists will be successful in obtaining any future permit modifications.

In June 1999, Waste Control Specialists was awarded a contract by the Kansas City District of the Corps of Engineers for the disposal of NORM, low-activity radioactive materials and certain hazardous wastes, all of which are eligible for treatment and disposal under Waste Control Specialists' permits currently in place. The Corps of Engineers oversees the Formerly Utilized Sites Remedial Action Program ("FUSRAP") that involves the remediation of 46 government sites in 14 states throughout the U.S. The contract provides for disposal of FUSRAP wastes for a minimum volume of $500,000 and a maximum volume of $96 million over a five year period ending July 2004, with an option to extend the contract for an additional five years (the maximum contract value remains $96 million). Waste Control Specialists believes this contract provides a convenient vehicle for a variety of federal facilities to directly contract with Waste Control Specialists for disposal of such wastes at listed prices. Waste Control Specialists' ability to realize sales pursuant to this contract is dependent upon a number of factors, including the availability of government funding for the clean-up of specified sites and Waste Control Specialists'

successful marketing efforts that will focus on getting managers and operators of these sites to select this contract vehicle for disposal of specified wastes.

As discussed above, the completion of the Texas legislative session is expected to result in a significant reduction in the Company's expenditures for permitting during the second half of 1999 compared to the first half of this year. Waste Control Specialists has also commenced a program to focus on

improved operating efficiencies at its West Texas facility and to curtail certain of its corporate and administrative costs. Waste Control Specialists will also refocus its sales and marketing efforts to (i) emphasize opportunities where Waste Control Specialists believes it has unique permitting capabilities for the treatment and storage of mixed wastes that currently provide Waste Control Specialists with certain competitive advantages and (ii) capitalize on the recent permit modifications regarding disposal of certain types of low-level radioactive wastes. Realizing significant sales volumes from these types of waste streams may involve lengthy negotiations and due diligence processes necessary to satisfy potential customers of the adequacy of Waste Control Specialists' permitting ability for its facility and compliance with regulatory procedures. The ability of Waste Control Specialists to achieve increased volumes of these waste streams, together with improved operating efficiencies through cost reductions and increased capacity utilization, are important factors in Waste Control Specialists' ability to achieve improved cash flows. The Company currently believes Waste Control Specialists can become a viable, profitable operation with its current operating permits. However, there can be no assurance that Waste Control Specialists' efforts will prove successful in improving its cash flows. In the event such efforts are not successful or Waste Control Specialists is not successful in expanding its disposal capabilities for low-level radioactive wastes, it is possible that Valhi will consider other strategic alternatives with respect to Waste Control Specialists.

OTHER

General corporate items. Interest and dividend income decreased in 1999 compared to 1998 due primarily to a lower level of funds available for investment. Dividend distributions from The Amalgamated Sugar Company LLC are dependent in part upon the LLC's results of operations, and the Company received $11.7 million of dividend distributions from the LLC in the first six months of 1999 compared to $12.1 million in the first six months of 1998. Based on the LLC's current projections, the Company currently expects aggregate dividend distributions from the LLC in calendar 1999 will be higher than the $18.4 million received in calendar 1998. Despite the higher level of LLC distributions expected to be received in 1999 compared to 1998, aggregate general corporate interest and dividend income is expected to be lower in 1999 compared to 1998 due primarily to a lower level of funds available for investment.

Securities transaction gains in both periods include gains related to the disposition of a portion of the shares of Halliburton common stock held by the Company when certain holders of the Company's LYONs debt obligation exercised their right to exchange their LYONs for such Halliburton shares. Any additional exchanges in 1999 or beyond would similarly result in additional securities transaction gains. Securities transactions gains in the second quarter of 1999 also include an aggregate $.6 million gain from the sale of certain available-for-sale marketable securities. See Notes 3 and 9 to the Consolidated Financial Statements.

NL's previously-reported $20 million of proceeds from the disposal of its specialty chemicals business unit related to its agreement not to compete in the rheological products business is being recognized as a component of general corporate income (expense) ratably over the five-year non-compete period ($1.7 million and $2 million in the first six months of 1998 and 1999, respectively). See Note 9 to the Consolidated Financial Statements. Net general corporate

expenses in the second quarter of 1998 includes an aggregate $32 million pre-tax charge associated to the settlement of two lawsuits.

Interest expense. Interest expense decreased in 1999 compared to 1998 due primarily to a lower average level of outstanding indebtedness (primarily related to NL's Senior Secured Discount Notes redeemed in October 1998). Interest expense is expected to continue to be lower during the remainder of 1999 compared to the same periods in 1998.

Provision for income taxes. The principal reasons for the difference between the Company's effective income tax rates and the U.S. federal statutory income tax rate are explained in Note 10 to the Consolidated Financial Statements. Certain subsidiaries, including NL and, beginning in March 1998, CompX, are not members of the consolidated U.S. tax group of which Valhi is a member, and the Company provides incremental income taxes on such earnings.

In the second quarter of 1999, NL recognized a $90 million non-cash income

tax benefit related to (i) a favorable resolution of NL's previously-reported tax contingency in Germany ($36 million) and (ii) a net reduction in NL's deferred income tax valuation allowance due to a change in estimate of NL's ability to utilize certain income tax attributes under the "more-likely-than-not" recognition criteria ($54 million). With respect to the German tax contingency, the German government has conceded substantially all of its income tax claims against NL, and the government has released a DM 94 million ($50 million) lien on one of NL's German TiO_2 plants that secured the government's claim. The $54 million net reduction in NL's deferred income tax valuation allowance is comprised of (i) a $78 million decrease in the valuation allowance to recognize the benefit of certain deductible income tax attributes which NL now believes meets the recognition criteria as a result of, among other things, a legal restructuring of NL's German subsidiaries and (ii) a $24 million increase in the valuation allowance to reduce the previously-recognized benefit of certain other deductible income tax attributes which NL now believes do not

meet the recognition criteria due to a change in German tax law. The German tax law change, enacted on April 1, 1999, was effective retroactively to January 1, 1999 and resulted in an additional $3.2 million of current income tax expense during the first six months of 1999 for NL.

Also during the first six months of 1999, NL reduced its deferred income tax valuation allowance by $7 million primarily as a result of utilization of certain tax attributes for which the benefit had not been previously recognized under the "more-likely-than-not" recognition criteria.

Minority interest and discontinued operations. See Notes 11 and 1, respectively, to the Consolidated Financial Statements.

Minority interest of NL's subsidiaries in 1999 relates principally to NL's majority-owned environmental management subsidiary, NL Environmental Management Services, Inc. ("EMS"). EMS was established in 1998, at which time EMS contractually assumed certain of NL's environmental liabilities. EMS' earnings are based, in part, upon its ability to favorably resolve these liabilities. The shareholders of EMS, other than NL, actively manage these environmental liabilities and share in 39% of any EMS cumulative earnings. NL continues to consolidate EMS and provides accruals for the reasonably estimable costs for the settlement of EMS' environmental liabilities, as discussed below.

YEAR 2000 ISSUE

General. As a result of certain computer programs being written using two digits rather than four to define the applicable year, certain computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other

things, a temporary inability to process transactions, send invoices or engage in normal business activities.

NL. NL is in the process of evaluating and upgrading its computer systems, both information technology ("IT") systems and non-IT systems involving embedded chip technology, and software applications to ensure that the systems function properly beginning January 1, 2000. To achieve its Year 2000 compliance plan, NL is utilizing internal and external resources to identify, correct or reprogram, and test its systems.

NL has conducted an inventory of its IT systems worldwide and is currently testing, where practical, the systems and applications that have been corrected or reprogrammed for Year 2000 compliance. NL has completed an inventory of its non-IT systems and is in the process of correcting or replacing date-deficient systems. The remediation effort for all critical IT and non-IT systems is in process, and NL anticipates that remediation of all systems will be substantially completed by September 1999. Once systems undergo remediation, they are tested for Year 2000 compliance. For critical systems, the testing process usually involves subjecting the remediated system to a simulated change of date from the year 1999 to the year 2000 using, in many cases, computer resources. NL uses a number of packaged software products that have been upgraded to a Year 2000 compliant version in the normal course of business. Excluding the cost of these software upgrades, NL's cost of becoming Year 2000 compliant is expected to be approximately $2 million, of which about three-fourths has been spent through June 30, 1999.

NL has approximately 30 major computer systems which have been assessed for

Year 2000 compliance. At June 30, 1999, NL believes approximately 90% of such systems are Year 2000 compliant. Each operating unit has responsibility for its own conversion, in line with overall guidance and oversight provided by a corporate-level coordinator, and the status of each of the remaining systems will be specifically tracked and monitored.

As part of its Year 2000 compliance plan, NL has requested confirmations from its major domestic and foreign software and hardware vendors, primary suppliers and major customers that they are developing and implementing plans to become, or that they have become, Year 2000 compliant. Confirmations received by NL to-date indicate that such parties generally are in the process of becoming Year 2000 compliant by December 31, 1999. The major software vendors used by NL have already delivered Year 2000 compliant software. Notwithstanding these efforts, NL's ability to affect the Year 2000 preparedness of such vendors, suppliers and customers is limited.

NL is in the process of developing a contingency plan to address potential Year 2000 issues related to business interruption that may occur on January 1, 2000 or thereafter. NL's plan is expected to be completed in the third quarter of 1999.

Although NL expects its systems to be Year 2000 compliant before December 31, 1999, it cannot predict the outcome or success of the Year 2000 compliance programs of its vendors, suppliers and customers. NL also cannot predict whether its major software vendors, who continue to test for Year 2000 compliance, will find additional problems that would result in unplanned upgrades of their applications after December 31, 1999. As a result of these uncertainties, NL cannot predict the impact on its consolidated financial condition, results of operations or cash flows resulting from noncompliant Year 2000 systems that NL directly or indirectly relies upon. Should NL's Year 2000 compliance plan not be successful or be delayed beyond January 1, 2000, or should one or more suppliers, vendors or customers fail to adequately address their Year 2000 issues, the consequences to NL could be far-reaching and material, including an inability to produce TiO_2 at its manufacturing facilities, which could lead to an indeterminate amount of lost revenue. Other potential negative consequences could include plant malfunction, impeded communications or power supplies, or slower transaction processing and financial reporting. Although not anticipated, the most reasonably likely worst-case scenario of failure by NL or its key suppliers or customers to become Year 2000 compliant would be a short-term slowdown or cessation of manufacturing operations at one or more of its facilities and a short-term inability on the part of NL to process orders and billings in a timely manner, and to deliver products to customers.

CompX. CompX has installed information systems upgrades for both its U.S. and Canadian facilities which contain, among many other features, software compatibility with the Year 2000 issue. Excluding the cost of the information systems upgrades, CompX's expenditures to-date to address the Year 2000 compliance have not been significant, and CompX does not currently anticipate spending significant additional funds to address Year 2000 compliance in the future.

As part of its Year 2000 compliance plan, CompX is seeking confirmation from its major software and hardware vendors, primary suppliers and major customers that they are developing and implementing plans to become, or that they have become, Year 2000 compliant. Confirmations received by CompX to-date indicate that such vendors, suppliers and customers generally are in the process of becoming Year 2000 compliant by December 31, 1999. The major software vendors used by CompX have already delivered Year 2000 compliant software. Notwithstanding these efforts, CompX's ability to affect the Year 2000 preparedness of such vendors, suppliers and customers is limited.

CompX is developing a contingency plan to deal with potential Year 2000 issues related to business interruption that may occur on January 1, 2000 or thereafter. CompX's plan is expected to be completed in the third quarter of 1999.

Although CompX expects its systems to be Year 2000 compliant before December 31, 1999, it cannot predict the outcome or success of the Year 2000 compliance programs of its vendors, suppliers, and customers. CompX also cannot predict whether its major software vendors, who continue to test for Year 2000 compliance, will find additional problems that might result in unplanned

upgrades of their applications after December 31, 1999. As a result of these uncertainties, CompX cannot predict the impact on its consolidated financial condition, results of operations or cash flows resulting from noncompliant Year 2000 systems that CompX directly or indirectly relies upon. Should CompX's Year 2000 compliance plan not be successful or be delayed beyond January 2000, or should one or more suppliers, vendors or customers fail to adequately address their Year 2000 issues, the consequences to CompX could be far-reaching and material, including an inability to produce products at its manufacturing facilities, which could lead to an indeterminate amount of lost revenue. Although not anticipated, the most reasonably likely worst-case scenario of failure by CompX or its key suppliers or customers to become Year 2000 compliant would be a short-term slowdown or cessation of manufacturing operations at one or more of CompX's facilities, delays in delivering products to customers and a short-term inability on the part of CompX to process orders and billings in a timely manner.

TIMET. Most of TIMET's information systems have been or are being replaced in connection with the implementation of its business-enterprise SAP system. The initial implementation of SAP has been completed. The cost of the new system, including related equipment and networks, aggregated $50 million during 1997 and 1998 ($41 million capital; $9 million expense).

TIMET, with the help of outside specialists and consultants (i) has completed an assessment of potential Year 2000 issues in its non-information systems (e.g., its manufacturing and communication systems), as well as in those information systems that were not replaced by the new SAP system and (ii) has substantially completed the remediation and testing of all systems. TIMET's Year 2000 readiness varies by location. Some of TIMET's locations had completed their internal Year 2000 readiness plans by TIMET's June 1999 target date.

Certain other locations were delayed in completing their readiness plans in part due to vendor release schedules. TIMET has contingency plans for certain applications in the event its Year 2000 readiness is delayed, and TIMET is currently developing contingency plans for certain other applications. TIMET also intends to continue testing and retesting during the remainder of 1999. TIMET has expended approximately $4 million through June 1999 ($2 million in the first half of 1999) on these specific non-information system issues, principally embedded system technology, and expects to incur approximately an additional $1 million on such issues in the remainder of 1999. TIMET's evaluation of potential Year 2000 exposure related to key suppliers and customers is also in process and will continue throughout 1999. In this regard, TIMET is considering the temporary shutdown of certain sensitive production operations for a few days around the end of 1999 and early 2000 as an additional safeguard against the unexpected loss of utilities service. TIMET expects to schedule production to provide for such temporary shutdowns.

Although TIMET believes its key information and non-information systems will be Year 2000 ready before the end of 1999, it cannot predict whether it will find additional problems that would result in unplanned upgrades of applications during the rest of 1999 or even after December 1999. As a result of these uncertainties, TIMET cannot predict the impact on its consolidated financial condition, results of operations or cash flows resulting from Year 2000 failures in systems that TIMET directly or indirectly relies upon. Should TIMET's Year 2000 readiness plans not be successful or be delayed beyond December 1999, the consequences to TIMET could be far-reaching and material, including an inability to produce titanium metal products at its manufacturing facilities, which could lead to an indeterminate amount of lost revenue. Other potential negative consequences could include impeded communications or power supplies, slower transaction processing and financial reporting, and potential liability to third parties. Although not anticipated, the most reasonably likely worst-case scenario of failure by TIMET or its key suppliers or customers to become Year 2000 ready would be a short-term slowdown or cessation of

manufacturing operations at one or more of TIMET's facilities and a short-term inability on the part of TIMET to process orders and billings in a timely manner, and to deliver products to customers.

Waste Control Specialists. Waste Control Specialists' recently-installed information system is Year 2000 compliant. The cost of such new information system was not material to Waste Control Specialists. Waste Control Specialists is in the process of evaluating any potential Year 2000 issues with respect to embedded chip technology associated with the equipment at its disposal facility; however, because such facility was constructed in the past few years, Waste Control Specialists does not expect such equipment to present any significant Year 2000 compliance issues. Waste Control Specialists is also

in the process of contacting its major suppliers and customers to confirm they are developing and implementing plans to become, or that they have become, Year 2000 compliant. Notwithstanding these efforts, Waste Control Specialists' ability to affect the Year 2000 preparedness of such suppliers and customers is limited. Waste Control Specialists expects to have its evaluation of embedded chip technology and Year 2000 compliance issues at significant suppliers and customers completed in the third quarter of 1999, and any required remedial actions completed prior to the end of 1999. Assuming Waste Control Specialists does not encounter a significant Year 2000 compliance issue with respect to the equipment at its disposal facility, Waste Control Specialists does not expect its costs associated with Year 2000 compliance will be material.

Although Waste Control Specialists believes its information systems and equipment at its disposal facility will be Year 2000 compliant before December 31, 1999, it cannot predict the outcome or success of the Year 2000 compliance programs at its significant suppliers and customers. As a result, Waste Control Specialists cannot predict the impact on its financial position, results of operations or cash flows resulting from noncompliant Year 2000 systems that Waste Control Specialists directly or indirectly relies upon. Should Waste Control Specialists' Year 2000 compliance program not be successful or delayed

beyond January 2000, or should one or more suppliers or customers fail to adequately address their Year 2000 issues, the consequences to Waste Control Specialists could be far-reaching and material, including an inability to operate the disposal facility, which could lead to an indeterminate amount of lost revenue. Other potential adverse consequences could include impeded communications or power supplies or slower transaction processing and financial reporting.

Tremont. As a holding company, Tremont does not have numerous applications or systems. Tremont (i) has completed an assessment of potential Year 2000 issues in its information systems and (ii) has implemented remedial actions, including testing. The cost for Tremont's Year 2000 readiness is not material to Tremont. Although not anticipated, the most reasonably likely worst-case scenario of failure by Tremont or its key service providers to become Year 2000 ready would be a short-term inability on the part of Tremont to process banking transactions.

Valhi. As a holding company, Valhi does not have numerous applications or systems. Valhi believes its corporate information systems are Year 2000 compliant. However, for the reasons discussed above with respect to its subsidiaries and affiliates, Valhi cannot predict the impact on its consolidated financial position, results of operations or cash flows resulting from noncompliant Year 2000 systems that Valhi, it subsidiaries and affiliates directly or indirectly rely upon. The consequences to the Company could be far-reaching and material, including the loss of an indeterminate amount of revenue. Other potential negative consequences could include manufacturing equipment malfunctions, impeded communications or power supplies or slower transaction processing and financial reporting.

Other. The completion dates for these planned Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain

resources, third party modification plans and other factors. However, there can be no assurance that these estimates will be achieved and actual results could differ materially from those plans. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

EUROPEAN MONETARY CONVERSION

Beginning January 1, 1999, 11 of the 15 members of the European Union ("EU"), including Germany, Belgium, the Netherlands and France, established fixed conversion exchange rates between their existing sovereign currencies and the European currency unit ("euro"). Such members adopted the euro as their common legal currency on that date. The remaining four EU members (including the United Kingdom) may convert their sovereign currencies to the euro at a later date. Certain European countries, such as Norway, are not members of the EU and their sovereign currencies will remain intact. Each national government retained authority to establish their own tax and fiscal spending policies and public debt levels, although such public debt will be issued in, or re-denominated into, the euro. However, monetary policies, including money supply and official euro interest rates, are now established by a new European Central

Bank. Following the introduction of the euro, the participating countries' national currencies are scheduled to remain legal tender as denominations of the euro through January 1, 2002, although the exchange rates between the euro and such currencies will remain fixed.

NL. NL conducts substantial operations in Europe, principally in Germany, Belgium, the Netherlands, France and Norway. In addition, NL has a significant amount of outstanding indebtedness denominated in the Deutsche Mark. The national currency of the country in which such operations are located are such operation's functional currency. The functional currency of the German, Belgian, Dutch and French operations will convert from their respective sovereign

currencies to the euro over a two-year period beginning in 1999. NL has assessed and evaluated the impact of the euro conversion on its business and has made the necessary system conversions. The euro conversion may impact NL's operations including, among other things, changes in product pricing decisions necessitated by cross-border price transparencies. Such changes in product pricing decisions could impact both sales prices and manufacturing costs, and consequently favorably or unfavorably impact NL's reported consolidated results of operations, financial condition or liquidity.

CompX. The functional currency of CompX's recently-acquired Thomas Regout operations in the Netherlands and CompX's French lock operations will convert to the euro from their respective national currencies over a two-year period beginning in 1999. The euro conversion may impact CompX's operations including, among other things, changes in product pricing decisions necessitated by cross-border price transparencies. Such changes in product pricing decisions could impact both selling prices and purchasing costs and, consequently, favorably or unfavorably impact results of operations.

In 1998, CompX assessed and evaluated the impact of the euro conversion on its business and made the necessary system conversions. Modifications of information systems to handle euro-denominated transactions have been implemented and were not extensive. Because of the inherent uncertainty of the ultimate effect of the euro conversion, CompX cannot accurately predict the impact of the euro conversion on its consolidated results of operations, financial condition or liquidity.

TIMET. TIMET also has operations and assets located in Europe, principally in the United Kingdom. The United Kingdom is not adopting the euro. Approximately one-half of TIMET's European sales are denominated in currencies other than the U.S. dollar, principally the major European currencies. Certain purchases of raw materials for TIMET's European operations, principally titanium sponge and alloys, are denominated in U.S. dollars while labor and other

production costs are primarily denominated in local currencies. The U.S. dollar value of TIMET's foreign sales and operating costs are subject to currency exchange rate fluctuations that can impact reported earnings and may affect the comparability of period-to-period operating results. Costs associated with modification of certain of TIMET's systems to handle euro-denominated transactions have not been significant.

LIQUIDITY AND CAPITAL RESOURCES:

Operating activities. Trends in cash flows from operating annual activities (excluding the impact of significant asset dispositions and relative changes in assets and liabilities) are generally similar to trends in the Company's earnings. Changes in assets and liabilities generally result from the timing of production, sales, purchases and income tax payments. In addition, cash flows from operating activities in 1998 include the impact of the payment of cash income taxes related to the disposal of NL's specialty chemicals business unit, even though the pre-tax proceeds from the disposal are reported as a component of cash flows from investing activities. Noncash interest expense consists of amortization of original issue discount on certain Valhi and NL indebtedness and amortization of deferred financing costs.

Cash flows from investing and financing activities. Approximately 65% of the Company's aggregate capital expenditures in the first six months of 1999 relates to NL, and substantially all of the remaining amount relates to CompX.

During the first quarter of 1999, (i) CompX acquired a precision ball bearing slide producer for approximately $53 million using funds on hand and $20 million of borrowing under its unsecured revolving bank credit facility, (ii) Valhi contributed an additional $10 million to Waste Control Specialists' equity, (iii) Valhi purchased $1.9 million of additional shares of Tremont

common stock and $.6 million of additional shares of CompX common stock and (iv) Valhi sold certain marketable securities for an aggregate of $6.6 million.

Net repayments of indebtedness in the first six months of 1999 include (i) NL's repayment in full of the remaining DM 107 million outstanding under the term loan portion of its DM credit facility ($60 million when repaid) using funds on hand and a net DM 80 million ($45 million) increase in the revolver portion of the DM facility and (ii) CompX's $20 million of borrowing under its revolving bank credit facility.

At June 30, 1999, unused credit available under existing credit facilities approximated $186 million, which was comprised of $80 million available to CompX under its unsecured revolving senior credit facility, $56 million available to NL under non-U.S. credit facilities and $50 million available to Valhi under its bank facility. In early July 1999, Valhi borrowed $16 million under its bank facility and used the proceeds to repay an equal amount of its unsecured, short-term borrowings from Contran.

CHEMICALS - NL INDUSTRIES

Certain of NL's U.S. and non-U.S. tax returns are being examined and tax authorities have or may propose tax deficiencies, including non-income tax related items and interest. As discussed above, in the second quarter of 1999 certain significant German tax contingencies aggregated an estimated DM 188 million ($100 million) through 1998 were resolved in NL's favor.

On April 1, 1999, the German government enacted certain income tax law changes that were retroactively effective as of January 1, 1999. Based on these changes, NL's effective cash income tax rate in Germany increased beginning in the second quarter of 1999.

During 1997, NL received a tax assessment from the Norwegian tax authorities proposing tax deficiencies of NOK 51 million ($7 million at June 30, 1999) relating to 1994. NL has appealed this assessment and has begun litigation proceedings. During 1998, NL was informed by the Norwegian tax authorities that additional tax deficiencies of NOK 39 million ($5 million) will likely be proposed for the year 1996. NL intends to vigorously contest this issue and litigate, if necessary. Although NL believes that it will ultimately prevail, NL has granted a lien for the 1994 tax assessment on its Norwegian Ti02 plant in favor of the Norwegian tax authorities and will be required to grant a lien for the 1996 assessment when received.

No assurance can be given that these tax matters will be resolved in NL's favor in view of the inherent uncertainties involved in court proceedings. NL believes that it has provided adequate accruals for additional taxes and related interest expense which may ultimately result from all such examinations and believes that the ultimate disposition of such examinations should not have a material adverse effect on its consolidated financial position, results of operations or liquidity.

NL has been named as a defendant, potentially responsible party ("PRP"), or both, in a number of legal proceedings associated with environmental matters, including waste disposal sites, mining locations and facilities currently or previously owned, operated or used by NL, certain of which are on the U.S. EPA's Superfund National Priorities List or similar state lists. On a quarterly basis, NL evaluates the potential range of its liability at sites where it has been named as a PRP or defendant, including sites for which EMS has contractually assumed NL's obligation as discussed above. NL believes it has provided adequate accruals ($119 million at June 30, 1999) for reasonably estimable costs of such matters, but NL's ultimate liability may be affected by a number of factors, including changes in remedial alternatives and costs and the allocation of such costs among PRPs. It is not possible to estimate the range of costs for certain sites. The upper end of the range of reasonably possible costs to NL for sites for which it is possible to estimate costs is approximately $160 million. NL's estimates of such liabilities have not been discounted to present value, and NL has not recognized any potential insurance recoveries. No assurance can be given that actual costs will not exceed accrued amounts or the upper end of the range for sites for which estimates have been made and no assurance can be given that costs will not be incurred with respect to sites as to which no estimate presently can be made. NL is also a defendant in a number of legal proceedings seeking damages for personal injury and

property damage arising from the sale of lead pigments and lead-based paints. NL has not accrued any amounts for the pending lead pigment and lead-based paint litigation. There is no assurance that NL will not incur future liability in respect of this pending litigation in view of the inherent uncertainties involved in court and jury rulings in pending and possible future cases. However, based on, among other things, the results of such litigation to date, NL believes that the pending lead pigment and lead-based paint litigation is without merit. Liability that may result, if any, cannot reasonably be estimated. In addition, various legislation and administrative regulations have, from time to time, been enacted or proposed that seek to impose various obligations on present and former manufacturers of lead pigment and lead-based paint with respect to asserted health concerns associated with the use of such products and to effectively overturn court decisions in which NL and other pigment manufacturers have been successful. Examples of such proposed legislation include bills which would permit civil liability for damages on the basis of market share, rather than requiring plaintiffs to prove that the defendant's product caused the alleged damage. NL currently believes the disposition of all claims and disputes, individually or in the aggregate, should not have a material adverse effect on its consolidated financial position, results of operations or liquidity. There can be no assurance that additional matters of these types will not arise in the future.

NL periodically evaluates its liquidity requirements, alternative uses of capital, capital needs and availability of resources in view of, among other things, its capital resources, debt service and capital expenditure requirements and estimated future operating cash flows. As a result of this process, NL has

in the past and may in the future seek to reduce, refinance, repurchase or restructure indebtedness, raise additional capital, issue additional securities, modify its dividend policy, restructure ownership interests, sell interests in subsidiaries or other assets, or take a combination of such steps or other steps to manage its liquidity and capital resources. In the normal course of its business, NL may review opportunities for the acquisition, divestiture, joint venture or other business combinations in the chemicals industry or other industries. In the event of any such transaction, NL may consider using its available cash, issuing its equity securities or refinancing or increasing its indebtedness to the extent permitted by the agreements governing NL's existing debt. In this regard, the indentures governing NL's publicly-traded debt contain provisions which limit the ability of NL and its subsidiaries to incur additional indebtedness or hold noncontrolling interests in business units.

COMPONENT PRODUCTS - COMPX INTERNATIONAL

In January 1999, CompX acquired a precision ball bearing slide producer for approximately $53 million, using available cash on hand and $20 million of borrowing under its revolving bank credit facility.

CompX periodically evaluates its liquidity requirements, alternative uses of capital, capital needs and available resources in view of, among other things, its capital expenditure requirements in light of its capital resources and estimated future operating cash flows. As a result of this process, CompX may in the future seek to raise additional capital, refinance or restructure indebtedness, issue additional securities or take a combination of such steps or other steps to manage its liquidity and capital resources. In the normal course of business, CompX may review opportunities for acquisitions, joint ventures or other business combinations in the component products industry. In the event of any such transaction, CompX may consider using available cash, issuing additional equity securities or increasing the indebtedness of CompX or its subsidiaries.

Certain of CompX's sales generated by its Canadian operations are denominated in U.S. dollars. To manage a portion of the foreign exchange rate market risk associated with such receivables, in July 1999 CompX entered into a series of short-term forward exchange contracts to exchange an aggregate of US$ 7 million for an equivalent amount of Canadian dollars at exchange rates ranging between Cdn$ 1.49 and Cdn$ 1.50 per U.S. dollar.

TREMONT CORPORATION

Tremont is primarily a holding company which, at June 30, 1999, owned approximately 39% of TIMET and 20% of NL. At June 30, 1999, the market value of the 12.3 million shares of TIMET and the 10.2 million shares of NL held by Tremont was approximately $138 million and $114 million, respectively.

In 1998, Tremont entered into a revolving advance agreement with Contran. Through June 30, 1999, Tremont had borrowed $13 million from Contran under such facility, primarily to fund Tremont's purchases of shares of NL and TIMET common stock. Absent additional purchases of NL and TIMET common stock, Tremont does not currently believe it will need to borrow significant additional amounts from Contran.

At June 30, 1999, Tremont reported total assets of $305 million and stockholders' equity of $206 million. Tremont's total assets at such date include its investments in TIMET ($155 million), NL ($111 million) and other joint ventures ($14 million) and $3 million in cash and cash equivalents; Tremont's total liabilities at such date include the demand loan owed to Contran ($13 million), accrued OPEB costs ($22 million), accrued insurance claims and claim expenses related to its wholly-owned captive insurance subsidiary ($16 million) and deferred income taxes ($35 million).

Tremont periodically evaluates the net carrying value of its long-term assets, principally its investments in NL and TIMET, to determine if there has been any decline in value below their net carrying amounts that is other than temporary and would, therefore, require a write-down which would be accounted for as a realized loss. Tremont's per share net carrying amount of its investment in NL at June 30, 1999 was $10.87 per share, compared to a NYSE per share market price of $11.13 at that date. At June 30, 1999, the NYSE price of $11.25 per TIMET share indicated an aggregate NYSE market value of Tremont's investment in TIMET of $138 million, or $17 million less than Tremont's $155 million net carrying value of its investment in TIMET at that date ($12.65 per TIMET share held). Tremont believes NYSE stock prices (particularly in the case of companies such as TIMET and NL which have a major shareholder) are not necessarily indicative of a company's enterprise value or the value that could be realized if the company were sold. After considering what Tremont believes to be all relevant factors including, among other things, the relatively short period of time that the NYSE stock prices have been less than Tremont's per share investment in TIMET and NL, recent ranges in market prices and TIMET's and NL's operating results, financial position and prospects, Tremont has concluded that there has been no other than temporary decline in the value of its investment in TIMET or NL below their respective net carrying values at June 30, 1999.

It is possible, should the TiO2 or titanium metals industries in general, or NL or TIMET specifically, encounter a prolonged downturn, or suffer other unforeseen adverse events, that the value of Tremont's investment in TIMET, NL or both, could decline to a level which would result in a write-down. Tremont will continue to monitor and evaluate the value of its investment in TIMET and NL based on, among other things, their respective results of operations, financial condition, liquidity and business outlook. In the event Tremont determines any decline in value of its investments below their net carrying value has occurred which is other than temporary, Tremont would report an appropriate write-down at that time.

In 1997, Tremont's board of directors authorized Tremont to purchase up to 2 million shares of its common stock in open market or privately-negotiated transactions over an unspecified period of time. As of June 30, 1999, Tremont had acquired 1.2 million shares under such authorization. To the extent Tremont acquires additional shares of its common stock, the Company's ownership interest in Tremont would increase as a result of the fewer number of Tremont shares outstanding.

Based upon certain technical provisions of the Investment Company Act of 1940 (the "1940 Act"), Tremont might arguably be deemed to be an "investment company" under the 1940 Act, despite the fact that Tremont does not now engage, nor has it engaged or intended to engage, in the business of investing, reinvesting, owning, holding or trading of securities. Tremont has taken the steps necessary to give itself the benefits of a temporary exemption under the 1940 Act and has sought an order from the Securities and Exchange Commission that Tremont is primarily engaged, through TIMET and NL, in a non-investment company business. Tremont believes another exemption may be currently available to it under the 1940 Act should the Commission deny Tremont's application for an exemptive order.

Tremont periodically evaluates its liquidity requirements, capital needs and availability of resources in view of, among other things, its alternative uses of capital, its debt service requirements, the cost of debt and equity capital and estimated future operating cash flows. As a result of this process, Tremont has in the past and may in the future seek to obtain financing from

related parties, raise additional capital, modify its dividend policy, restructure ownership interests of subsidiaries and affiliates, incur indebtedness, purchase shares of its common stock, consider the sale of interests in subsidiaries, affiliates, marketable securities or other assets, or take a combination of such steps or other steps to increase or manage liquidity and capital resources. In the normal course of business, Tremont may

investigate, evaluate, discuss and engage in acquisition, joint venture and other business combination opportunities. In the event of any future acquisition or joint venture opportunities, Tremont may consider using available cash, issuing equity securities or incurring indebtedness.

Tremont owns indirect ownership interests in Basic Management Inc. ("BMI"). BMI provides utility services to, and owns property adjacent to (the "BMI Complex"), TIMET's facility in Nevada. In the early 1990s, TIMET and certain other companies that currently have or formerly had operations within the BMI Complex (the "Steering Committee Companies") began environmental assessments of the BMI Complex and each of the individual company sites located within the BMI Complex pursuant to a series of consent agreements entered into with the Nevada Division of Environmental Protection ("NDEP"). Most of this assessment work has now been completed, although some of the assessment work with respect to TIMET's property is continuing. In June 1999, TIMET entered into a series of agreements with BMI and, in certain cases, other Steering Committee Companies, pursuant to which, among other things: (i) BMI, TIMET and the other Steering Committee Companies each agreed to contribute to the cost of remediating any soils contamination within the BMI Complex (excluding the individual active plant sites), certain lands surrounding the BMI Complex and certain lands owned by TIMET adjacent to its plant site (the "TIMET Pond Property"), and TIMET contributed $2.8 million to the cost of this remediation (which payment was charged against TIMET's accrued liabilities), (ii) BMI assumed responsibility for the conduct of soils remediation activities on the properties described, including, subject to final NDEP approval, the responsibility to complete all outstanding requirements under the consent agreements with NDEP insofar as they relate to the investigation and remediation of soils conditions on such properties, (iii) BMI indemnified TIMET and the other Steering Committee Companies against certain future liabilities associated with any soils contamination on such properties and (iv) TIMET agreed to convey to BMI, at no additional cost, the TIMET Pond Property upon payment by BMI of the cost to design, purchase, and install the technology and equipment necessary to allow

TIMET to stop discharging liquid and solid effluents and co-products onto the TIMET Pond Property. With respect to the TIMET Pond Property project, BMI will pay 100% of the first $15.9 million cost for this project, and TIMET will contribute 50% of the cost in excess of $15.9 million, up to a maximum payment by TIMET of $2 million. TIMET does not currently expect to incur any cost in connection with this project. TIMET, BMI and the other Steering Committee Companies are continuing investigation with respect to certain issues associated with the properties described above. In addition, TIMET is continuing assessment work with respect to its own active plant site.

GENERAL CORPORATE - VALHI

Valhi's operations are conducted primarily through subsidiaries and affiliates (NL Industries, CompX, Tremont and Waste Control Specialists). Accordingly, Valhi's long-term ability to meet its parent company level corporate obligations is dependent in large measure on the receipt of dividends or other distributions from its subsidiaries. NL, which paid dividends in the first three quarters of 1996, suspended its dividend in the fourth quarter of 1996. Suspension of NL's dividend did not materially adversely impact Valhi's financial position or liquidity. Starting in the second quarter of 1998, NL resumed regular quarterly dividends at a rate of $.03 per NL share, and NL increased its quarterly dividend to $.035 per share in the first quarter of 1999. At the $.035 per share quarterly rate, and based on the 30.1 million NL shares held by Valhi at June 30, 1999, Valhi would receive aggregate annual dividends from NL of approximately $4.2 million. Tremont currently pays a quarterly dividend of $.07 per share, and Valhi began to receive quarterly dividends from Tremont in the third quarter of 1998. At that rate, and based upon the 3.2 million Tremont shares owned by Valhi at June 30, 1999, Valhi would receive aggregate annual dividends from Tremont of approximately $890,000. Various credit agreements to which certain subsidiaries or affiliates are parties contain customary limitations on the payment of dividends, typically a percentage of net income or cash flow; however, such restrictions have not

significantly impacted Valhi's ability to service its parent company level obligations. Valhi has not guaranteed any indebtedness of its subsidiaries or

affiliates. At June 30, 1999, Valhi had $5 million of parent level cash and cash equivalents, including a portion held by Valcor which could be distributed to Valhi, and had $16 million of short-term borrowings owed to Contran. In addition, Valhi had $50 million of borrowing availability under its revolving credit facility.

Valhi's LYONs do not require current cash debt service. At June 30, 1999, Valhi held 2.7 million shares of Halliburton common stock, which shares are held in escrow for the benefit of holders of the LYONs. The LYONs are exchangeable at any time, at the option of the holder, for the Halliburton shares owned by Valhi. Exchanges of LYONs for Halliburton stock result in the Company reporting income related to the disposition of the Halliburton stock for both financial reporting and income tax purposes, although no cash proceeds are generated by such exchanges. Valhi's potential cash income tax liability that would have been triggered at June 30, 1999, assuming exchanges of all of the outstanding LYONs for Halliburton stock at such date, was approximately $26 million. Valhi continues to receive regular quarterly Halliburton dividends (currently $.125 per share) on the escrowed shares. At June 30, 1999, the LYONs had an accreted value equivalent to approximately $33 per Halliburton share, and the market price of the Halliburton common stock was $45.25 per share.

Based on The Amalgamated Sugar Company LLC's current projections, Valhi currently expects that distributions received from the LLC in 1999, which are dependent in part upon the future operations of the LLC, will approximate its debt service requirements under its $250 million loans from Snake River. Certain covenants contained in Snake River Sugar Company's third-party senior debt limit the amount of debt service payments (principal and interest) which Snake River is permitted to remit to Valhi under Valhi's $80 million loan to Snake River, and such loan is subordinated to Snake River's third-party senior debt. Due to these covenants, Snake River has not made any principal or

interest payments on the $80 million loan in 1998 or to-date in 1999 other than payment of the accrued and unpaid interest owed as of December 31, 1997 ($3 million). The Company does not currently expect that Snake River will remit a significant amount of principal or interest during 1999. However, such noncollection is not expected to have a material adverse effect on the Company's liquidity, and the Company believes both the accrued and unpaid interest as well as the $80 million principal amount outstanding at June 30, 1999 will ultimately be collected.

Redemption of the Company's interest in the LLC would result in the Company reporting income related to the disposition of its LLC interest for both financial reporting and income tax purposes, although the net cash proceeds that would be generated from such a disposition would likely be less than the specified redemption price due to Snake River's ability to simultaneously call its $250 million loans to Valhi. As a result, such net cash proceeds generated by redemption of the Company's interest in the LLC could be less than the income taxes that would become payable as a result of the disposition.

The Company routinely compares its liquidity requirements and alternative uses of capital against the estimated future cash flows to be received from its subsidiaries, and the estimated sales value of those units. As a result of this process, the Company has in the past and may in the future seek to raise additional capital, refinance or restructure indebtedness, repurchase indebtedness in the market or otherwise, modify its dividend policies, consider the sale of interests in subsidiaries, affiliates, business units, marketable securities or other assets, or take a combination of such steps or other steps, to increase liquidity, reduce indebtedness and fund future activities. Such activities have in the past and may in the future involve related companies.

The Company and related entities routinely evaluate acquisitions of interests in, or combinations with, companies, including related companies, perceived by management to be undervalued in the marketplace. These companies

may or may not be engaged in businesses related to the Company's current businesses. The Company intends to consider such acquisition activities in the future and, in connection with this activity, may consider issuing additional equity securities and increasing the indebtedness of the Company, its subsidiaries and related companies. From time to time, the Company and related entities also evaluate the restructuring of ownership interests among their respective subsidiaries and related companies. In this regard, the indentures governing the publicly-traded debt of NL contain provisions which limit the ability of NL and its subsidiaries to incur additional indebtedness or hold noncontrolling interests in business units.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Reference is made to the 1998 Annual Report and prior 1999 periodic reports for descriptions of certain legal proceedings.

In May 1999, a jury awarded a judgment of approximately $800,000 plus attorney fees in favor of a former employee of Waste Control Specialists in the previously-reported Kenneth F. Jackson v. Waste Control Specialists LLC, et al. Waste Control Specialists intends to file for a judgment notwithstanding the verdict and file a motion for a new trial.

In June 1999, the U.S. District Court for the Northern District of Texas approved the Department of Energy's change of venue motion to have the previously-reported case Waste Control Specialists LLC v. United States Department of Energy transferred to the U.S. District Court for the Southern District of Ohio. Waste Control Specialists subsequently filed a motion

requesting that the case be dismissed with prejudice. The Court granted such request and the case was dismissed.

The City of New York, et al. v. Lead Industries Association, et al. In July 1999, the court heard oral arguments on plaintiffs' and defendants' motions for partial summary judgment in this previously-reported case.

Sweet, et al. v. Sheahan, et al. In July 1999, the defendants filed a motion to dismiss this previously-reported case for lack of jurisdiction.

Cherokee County, Kansas Site. NL and other PRPs have entered into a consent decree agreeing to perform the remedy previously selected in the Record of Decision at the Baxter Springs subsite, and agreeing that NL is not responsible for performing the remedy at the Treece subsite.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Valhi's 1999 Annual Meeting of Stockholders was held on May 4, 1999. Norman S. Edelcup, Kenneth R. Ferris, Glenn R. Simmons, Harold C. Simmons, J. Walter Tucker, Jr. and Steven L. Watson were elected as directors, each receiving votes "For" their election from over 98% of the 114.5 million common shares eligible to vote at the Annual Meeting.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

27.1 -Financial Data Schedule for the six-month period ended June 30, 1999.

(b) Reports on Form 8-K

Reports on Form 8-K for the quarter ended June 30, 1999.

April 28, 1999 - Reported Items 5 and 7.
May 4, 1999 - Reported Items 5 and 7.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VALHI, INC.

(Registrant)

Date August 13, 1999 By /s/ Bobby D. O'Brien

Bobby D. O'Brien
(Vice President and Treasurer,
Principal Financial Officer)

Date August 13, 1999 By /s/ Gregory M. Swalwell

Gregory M. Swalwell
(Vice President and Controller,
Principal Accounting Officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VALHI, INC.

(Registrant)

Date August 13, 1999 By

Bobby D. O'Brien
(Vice President and Treasurer,
Principal Financial Officer)

Date August 13, 1999 By

Gregory M. Swalwell
(Controller,
Principal Accounting Officer)

<ARTICLE> 5
<LEGEND>
THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM VALHI, INC.'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.
</LEGEND>
<MULTIPLIER> 1,000

<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	DEC-31-1999
<PERIOD-START>	JAN-01-1999
<PERIOD-END>	JUN-30-1999
<CASH>	168,882
<SECURITIES>	0
<RECEIVABLES>	203,037
<ALLOWANCES>	2,831
<INVENTORY>	232,406
<CURRENT-ASSETS>	655,751
<PP&E>	707,610
<DEPRECIATION>	166,492
<TOTAL-ASSETS>	2,216,010
<CURRENT-LIABILITIES>	316,851
<BONDS>	661,210
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<PREFERRED>	0
<COMMON>	1,256
<OTHER-SE>	617,492
<TOTAL-LIABILITY-AND-EQUITY>	2,216,010
<SALES>	544,310
<TOTAL-REVENUES>	544,310
<CGS>	397,476
<TOTAL-COSTS>	397,476
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	603
<INTEREST-EXPENSE>	36,363
<INCOME-PRETAX>	54,168
<INCOME-TAX>	(69,179)
<INCOME-CONTINUING>	64,235
<DISCONTINUED>	2,000
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	66,235
<EPS-BASIC>	.58
<EPS-DILUTED>	.57